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Argentina's Edible Oil Output and Exports Down

Food Marketing in Japan

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Drop in Argentina's Edible Oil Production in 1972 May Reduce Exports

By JAMES P. RUDBECK
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ARGENTINE EDIBLE oil production in 1972 is likely to slump for the second consecutive year, and with strong internal demand, exports will probably plummet. Sunflowerseed oil and peanut oil are the major edible oils produced and exported. In 1972, peanut oil will likely be the only oil exported in significant quantities.

Sunflowerseed is the principal oilseed grown in Argentina and is also the staple oil used in local diets. Although plantings of sunflowerseed have remained high in recent years with extremely favorable prices, adverse weather conditions have resulted in lower seed production and consequently fewer seeds for crushing.

Sunflowerseed is sown in two stages, the first around September or October and the second following the wheat harvest in December and January. This past season the first plantings were struck by a drought which also delayed sowing of the second crop. The second, and usually larger, crop was extensively affected by rust.

The Ministry of Agriculture has estimated the 1971-72 sunflowerseed harvest at 828,000 metric tons compared with 830,000 tons the previous year and 1.14 million 2 years earlier. However, crushing reports indicate that the 1970-71 crop was probably closer to 1 million tons. This means that, contrary to the official estimate, seed production for 1971-72 was probably reduced considerably from that of the previous year. Crushing data and price movements tend to confirm this.

Interest in peanut production has in-

This article was written on the basis of conditions and indications in Argentina through September 1972.

tensified in recent years, with the planted area boosted in both of the last 2 years. Peanut production is concentrated in the northern Pampean Province of Cordoba (98 percent of production), as opposed to sunflowerseed, which is grown over a wide geographical area.

The Ministry of Agriculture cites 1971-72 production of peanuts at 252,000 tons (in-shell basis), versus 387,600 tons the previous season, a reduction of 35 percent. A prolonged planting period due to insufficient soil moisture is claimed as the principal factor for the reduced output. However, some circles feel that the reduction may not have been quite so large as reported by the Ministry of Agriculture and that some of the apparent shortages and upward price pressures are the result of farmers holding out for even higher prices.

Other less important sources of edible vegetable oils in Argentina are cottonseed, soybeans, olives, grapeseed, corn, rapeseed, and sesameseed. To a large extent, oil derived from these sources is secondary to other products such as cotton, wine, and cornstarch.

Soybeans are a relatively new crop to Argentina, and although initial production was centered in the northern Provinces of Tucumán, Misiones, and Santa Fe, this past season there were sharply increased plantings in the more southern Provinces. Drought probably prevented a larger harvest in 1971-72 although production was up 32 percent from the previous year and 189 percent from 2 years ago.

The Government has intensified its promotion of soybean production and is studying special measures to stimulate larger plantings in the future.

Olive production is largely located in the western Provinces. Usually around two-thirds of production is exported, although the volume exported remains low in comparison to sunflowerseed and peanut oils.

With an overall reduction in seed

ARGENTINA: EDIBLE OIL PRODUCTION, CONSUMPTION, AND EXPORTS[1]

Item	Average 1964-66	Average 1967-69	1970	1971	1972[2]
	1,000 metric tons	*1,000 metric tons*	*1,000 metric tons*	*1,000 metric tons*	*1,000 metric tons*
Production:					
Sunflowerseed oil	223.3	323.0	368.1	281.9	255.0
Peanut oil	87.8	56.7	51.6	81.1	60.0
Cottonseed oil	26.0	20.9	35.7	[3] 20.2	21.0
Soybean oil	0.8	1.3	3.5	5.5	11.0
Others[4]	18.2	23.7	19.3	[3] 31.3	18.0
Total	356.1	425.6	478.2	419.8	365.0
Consumption:					
Sunflowerseed oil	184.3	265.9	266.2	248.3	255.0
Peanut oil	42.0	5.0	6.9	34.7	30.0
Cottonseed oil	24.9	16.6	30.0	[3] 24.0	20.0
Soybean oil	0.8	1.3	3.5	5.4	11.0
Others[4]	7.9	14.8	15.4	[3] 22.3	15.0
Total	259.9	303.6	322.0	334.7	331.0
	Pounds	*Pounds*	*Pounds*	*Pounds*	*Pounds*
Per capita consumption	26.7	29.8	30.4	30.9	30.4
	1,000 metric tons	*1,000 metric tons*	*1,000 metric tons*	*1,000 metric tons*	*1,000 metric tons*
Exports:					
Sunflowerseed oil	37.8	56.1	101.2	36.0	([5])
Peanut oil	47.2	54.3	42.6	44.4	([5])
Cottonseed oil	0.9	4.8	1.0	0.4	([5])
Others[4]	9.0	9.9	3.2	7.2	([5])
Total	94.9	125.1	148.0	88.0	([5])

[1] Consumption and exports do not add up to production because of changes in stocks. [2] Forecast by Office of U.S. Agricultural Attaché, Buenos Aires. [3] Estimate by Office of U.S. Agricultural Attaché, Buenos Aires. [4] Olive oil, grapeseed oil, corn oil, rapeseed oil, and sesameseed oil. [5] Not available. National Grain Board for production, with exception of cottonseed oil and other oils. Cottonseed oil production from Ministry of Agriculture. Production of other oils from Institute of Statistics and Census, also exports. Oil consumption based on production, exports, and changes in stocks reported by the National Grain Board and the Institute of Statistics and Census.

Sunflowers (top) provide the principal vegetable oil in Argentine diets, while peanuts (bottom) are grown primarily to supply oil for export. The domestic livestock industry (center) provides the country's animal fat.

availabilities, crushing is expected to drop for the second consecutive year and oil production for 1972 is forecast to decline by 10 to 15 percent. This follows a decrease of around 12 percent in 1971. The most significant reduction is anticipated for sunflowerseed oil, although production of peanut and olive oils is also expected to be lower.

For the 3-month period (April-June), when new-crop sunflowerseed was available, crushing was 20 percent less than during the comparable period a year earlier. However, an increase in the oil yield from 30.7 percent to 32.4 percent held the decline in oil produced to 14 percent.

The peanut crush was off 66 percent during this same 3-month period, and the oil yield of 35.7 percent was not significantly different than the same period of 1971. However, the sharp reduction in the peanut crush probably overreflects the reduction in seed availabilities since peanut oil is largely exported, and until early August, exports of oil were not possible because of local price increases and the maintenance of a high export tax.

Exports have also been affected by growing consumer preference for vegetable oils rather than animal fats. It is estimated that per capita consumption of vegetable oil in 1971 was around 31 pounds compared to around 38 pounds in the United States.

The demand for vegetable oils over the past 2 years has been particularly strong because, with a sharply reduced cattle slaughter, high beef prices, and animal fat shortages, there have been both a greater industrial demand for vegetable oils and increased consumption of oil-prepared substitute foods.

This increased demand combined with spiraling inflation (wholesale price index up 75 percent for the 12 months ending with August) has pushed up local prices of oilseeds and oils. The wholesale price of sunflowerseed oil was up approximately 75 percent and peanut oil more than 100 percent from the levels of a year earlier at the end of September.

Available statistics may not fully reflect increased local oil consumption because, with the wide price spread that has developed between edible oils and industrial oils, some quantities of the latter reportedly are being incorporated into blended oils. This is not in accord with local regulations.

Exports of sunflowerseed oil were formally halted in August 1971, and the ban period that was to have run through March 1972 was eventually extended through May. However, even without formal prohibition, export sales of both sunflower and peanut oils produced from the most recent harvests would have been effectively restricted because of the steep rise in local selling prices, maintenance of high export

(Continued on page 16)

Argentine and Paraguayan Tung Oil Outlook

PROSPECTS for the coming 1972-73 tung nut harvest in Argentina and Paraguay are so dismal that, despite near-record quantities of oil available from the last harvests, the export trade has virtually halted oil sales awaiting strengthening of world prices.

Three developments have sharply reduced production prospects.

First, production appears to be following a biennial cycle, and this is the year for the poor harvest.

Second, the previous good crops, both in Argentina and Paraguay, resulted in increased oil availabilities and depressed prices. For example, in late September 1972, South American tung oil was quoted in Rotterdam at $195 per metric ton, down from $262, $390, and $362, respectively, in the 3 previous years. As a result, farmers are reportedly culling old and less-productive trees and cutting trees in favor of alternative crops like soybeans. The switch to soybeans is particularly evident in Paraguay.

The final development was severe frosts in late August and early September, which hit the trees while still in bud, sharply reducing prospects for a good pollination. Producers are thus already able to predict with some certainty prospects for an extremely poor April-June 1973 nut harvest. Quality of the nuts is also anticipated to be below average.

Local estimates of actual production vary considerably and are subject to overpessimism aimed at fueling the probable price rise. For example, there are claims that the Argentine harvest may only be 10 percent of a normal crop—considered to be around 110,000 tons—for an output of 11,000 tons of nuts, or around 2,000 of oil. Other sources cite a potential decline of 50-60 percent from this season's approximate 130,000-ton harvest, implying 50,000 to 65,000 tons of nuts, or 10,000 to 12,000 of oil.

For Paraguay, losses of 70-75 percent from 1971-72 have been forecast, for a potential crop of 20,000 to 30,000 tons.

FOR THE PRESENT, tung oil supplies are abundant since crushing of the most recent harvests has just begun. The Argentine Ministry of Agriculture has claimed that the 1971-72 harvest was a near-record 170,000 tons, but trade sources feel this is too high owing to damage from late rains and to low prices, which discouraged the second collection of nuts. Initial Paraguayan production estimates were around 100,000 tons but have been trimmed to about 80,000. Nonetheless, oil available from the two-country harvests should be around 35,000 to 40,000 tons, somewhat above those of the previous season.

With exportable supplies large now but likely to fall in the future, exporters have apparently decided to restrain offers in hopes of obtaining what they consider to be more remunerative prices. Still, they seem cognizant of the fact that past extreme price rises may have contributed to loss of markets to other substitute oils, particularly castor oil, and apparently are attempting to spread out their current or potential oil until the 1973-74 crop starts to influence the market. Since late September, prices in Rotterdam have only moved from $195 per ton to $265 by mid-November, while between September 1969—the previous low in the production cycle—and November 1969, Rotterdam prices moved up $184 per ton to $553.

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Spain's Citrus Exports Menaced By EC Expansion And Changes In the CAP

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To the casual observer, Spanish citrus trees, bent by the weight of this year's bumper crop, appear the archexample of prosperity. The realities, however, are just the opposite, and the noticeable lack of buyers and sellers bargaining over the crop is just one symptom of an industry troubled by overproduction, low prices, and increasingly restrictive policies of its major market, the European Community (EC).

Moreover, as a new export season gets underway, the horizon is clouded by the forthcoming entry of yet another major market, the United Kingdom, into the EC and by proposed amendments to the Community's Common Agricultural Policy which would result in higher reference prices for most citrus products.

In the past few years, Spanish citrus growers and exporters—particularly the latter—have lost considerable interest in a business where profits are dimming at a fast pace.

Mushrooming production and the growing price squeeze in West European markets have led to a freezing of fruit prices at the 1957 levels. The average price received by farmers for oranges in 1971, an estimated 5 pesetas per kilogram, does not compare very favorably with the 4.4 received in 1957, especially when taking into consideration that a 1971 peseta is less than half that of 1957.

In contrast, input costs have soared so much that today the average Spanish citrus grower spends no less than 90 centimos on labor, fertilizers, pesticides, and other inputs from every peseta he makes selling his fruit.

Disposal problems, too, are rapidly emerging. As a result, the Government last April had to support the purchase for processing of sizable amounts of oranges. With a crop of nearly 2.7 million metric tons this year—or 17 percent more fruit than in the preceding season—and growing export problems, support buying will obviously continue, and to a much greater extent.

Citrus exporters contend that last season they hardly made any money on exports owing to the fact that profits in the first half (before Christmas) of the export season did not make up for losses or near losses in the second half. This resulted partly from the EC placing a special import levy on certain types of Spanish oranges during the first quarter of 1972 because they were entering the Community at prices not only below those foreseen in the EC trade agreement with Spain but also below the EC reference price for imports of 14.1 units of account. Here again, fruit surpluses played a key role in the deterioration of citrus prices.

These problems are further complicated this season by the prospective entry of the United Kingdom into the EC. The United Kingdom has heretofore been an important market outside the EC for Spanish fruits and vegetables, with low tariffs, and in some instances none at all. Accession to the EC will mean increases in the duties for sweet oranges, bitter oranges, and tangerines. Lemons, however, will benefit from a slight reduction. Some 100,000 to 120,000 tons of Spanish citrus generally go to this market out of a total export of around 1.2-1.5 million.

But higher tariffs are only a part of the problem. Britain's membership in the EC will also mean increased local supplies of competing crops, and lower British consumption of higher priced citrus with a shift in consumption to cheaper products and partial substitution of Spanish citrus by other fruits from EC members or from other countries having preferential trade agreements with the Community.

Moreover, the EC seems determined to strengthen protection against imports from third countries by increasing reference prices to include transportation and other costs between producing areas and markets, as well as by extending major intervention to oranges, tangerines, and lemons. The latter measure proposes that with the exception of a few varieties, imports from third countries be suspended when deemed necessary, or subjected to a supplementary tax equal to 50 percent of the difference between the base price and the withdrawal price.

Seeking to counter these problems, the Spanish Government on July 31, 1972, issued a decree reorganizing the citrus export industry. This was supplemented by two orders issued August 19, one of which laid down new export regulations already in effect. The salient features of this legislation are the establishment of a committee of exporters; export incentives, mainly a 3-percent tax refund on exports; and funds for promotional activities. Also undertaken was the modernization of the export business by requiring that exporters have a minimum export goal of 3,000 metric tons in order to qualify for listing in the exporters' register.

The decree has come in for much discussion and criticism among trade representatives, who believe that the minimum for listing in the export register should be reduced to 1,500 tons and that greater Government support should be secured for disposal of citrus surpluses.

The Government action, aimed at making the Spanish citrus industry more competitive, is regarded by a certain sector of opinion in the trade as a praiseworthy but futile effort to solve a problem which has but one apparent solution—entry into the EC.

Finally, Spanish citrus exporters are apprehensive over the results of negotiations to change existing trade agreements with the EC into an extended membership. This apprehension arises because of the feeling that in the 2 years of existence of the current pact the position of the Common Market negotiators has probably become more protective for agricultural commodities than at any other previous time.

"There appears to be a long-term opportunity for increased sales of U.S. feedgrains and soybeans to the USSR," says Assistant Secretary of Agriculture Brunthaver, as he discusses—

THE EXPORT OUTLOOK FOR U.S. CROPS

THIS IS A YEAR of market growth—a time of increasing demand for major U.S. commodities. Exports might have increased this year by some $1 billion without the large sale of wheat, corn, and soybeans to Russia and China—but they would not have increased by anywhere near the $2-billion gain estimated for exports in fiscal 1973.

About $2.7 billion of U.S. farm exports—over one-fourth—are going this year to two countries. One is Japan—our leading single-country market for several years. The other is the Soviet Union—a market that represents a real breakthrough in trade between East and West.

Japan remains the leading market with estimated purchases of $1.5 billion in this export year. But the Soviet Union, with purchases of $1.2 billion, is the second largest market; it alone accounts for over one-half of the total increase in export sales estimated for this year.

It is important to evaluate carefully future Russian demand for U.S. farm products. Even within the United States, it is not a simple matter to estimate production and demand. And when you try to assess future production in dozens of countries—future demand among millions of consumers—the job is obviously difficult.

Then—when you add to that equation the political decisions to be made in those various countries—the whole problem is infinitely complex.

So what does the future hold? Assuming that the Russians are doing everything they can to boost grain production next year, it is not reasonable to expect repeated sales of U.S. wheat to Russia in the magnitude experienced this year. Nevertheless, the fact that the Soviets have apparently chosen to stand by their announced intention to upgrade the national diet is of great importance to future U.S.-USSR trade.

It should not be overlooked that the Soviet Union has now bought or is expected to buy some 250 million to 275 million bushels of U.S. corn and 40 million bushels of U.S. soybeans in addition to its purchase of 400 million bushels of U.S. wheat. The corn and soybean purchases are directly in line with expectations that the Russians would take large amounts of American feedstuffs as a part of long-term goals.

The Soviets have repeatedly stated their intention to increase the animal protein component of their national diet by 25 percent as part of the current 5-year plan, and their grain production targets are well short of what will be required to reach that goal. The Soviet Minister of Agriculture emphasized the livestock goal during his visit to American livestock and grain areas a year ago. U.S. study teams—one a grain team and one specializing in livestock—observed this development first hand in the Soviet Union last winter. Another observed similar developments in Romania, Hungary, Czechoslovakia, and Poland.

At any rate, there appears to be the long-term opportunity for increased sales of U.S. feedgrains and soybeans to the USSR—commodities our farmers are able to produce in great quantities and with superior efficiency. As for the near future, the USSR may need to schedule sizable imports again for 1973-74—even though it might have a relatively good crop year in 1973. For the next 3 to 5 years, it now appears that the USSR's livestock production goals will require continued major imports.

The commodity likely to be in the strongest demand position as the USSR and many other countries emphasize animal production is soybeans. U.S. ability to benefit from this demand and develop new soybean markets will depend on ability and willingness to provide additional supplies.

Meantime, the People's Republic of China has emerged this year as a customer of American farmers by purchasing over 15 million bushels of U.S. wheat, 12 million bushels of corn, and about 22 million pounds of linseed oil. This amounts to about $50 million.

There are interesting things going on in other countries, as well, as incomes increase and diets improve.

In 5 years, Korea's feedgrain purchases from the United States climbed from $1.8 million to $34.3 million in fiscal 1972. Taiwan increased its purchases of U.S. feedgrains from $169,000 to about $8 million during that time, Israel from $25 million to $40 million, Venezuela from $129,000 to $14.9 million, and Portugal from $6 million to $22 million.

In the case of soybeans, Spain, Norway, and Taiwan have joined Japan and the European Community as growth markets for U.S. beans and meal—expanding purchases substantially in the last 4 to 5 years.

What are the major implications of the growth in demand that is evident in many parts of the world?

First, U.S. success in expanding exports bears directly on farm programs. In 1971, the United States produced 5.5 billion bushels of corn, and in 1972 it has produced 5.4 billion bushels of corn. This year, the Department has estimated the average corn yield at 94.5 bushels an acre, compared with 84 in 1969 and 65 a decade ago. At the same time, the average October corn price for all farmers was $1.19 a bushel—a monthly price exceeded on only two occasions in modern history, during the India food scare of 1966 and during the corn blight of 1970.

The October average price for grain sorghum was a record $1.17. The October price for soybeans of $3.13 not only was a record price, it exceeded the old record of October 1966 by 35 cents a bushel.

The only way to harvest crops of such large size—and still maintain prices at a good level—is through a strong export demand such as we are now seeing develop in the USSR and in other countries as well. Without this export demand, additional land diversion in the magnitude of 10 million to 12 million acres, at a Federal cost of some two-thirds of a billion dollars, would be needed.

Second, the expansion in U.S. farm exports is reflected in farm income. This year, the value of wheat production plus Government payments is $3.3 billion—a rise of two-thirds of a billion dollars since 1969. Between 1969 and 1972, the value of corn production plus payments rose by $900 million—to a total of $7.5 billion.

Comparable figures for grain sorghum show a rise from slightly over a billion dollars in 1969 to $1.3 billion in 1972. The value of soybean production plus payments rose spectacularly—from $2.6 billion in 1969 to $4.1 billion in 1972.

All of these are contributing strongly to the rise in overall income this year. Nationally, realized gross farm income this year will probably be more than $5 billion above 1971, and realized net income is expected to increase by around $2.75 billion above last year's total of $16.1 billion. That's the largest 1-year increase in net realized farm income since the beginning of agriculture in this country.

Third, growth in overseas demand is essential to the future expansion of our agricultural production plant. With the continuation of export growth, more and more of the acreage now idled under Government programs can be brought into production.

And without strong demand, the production plant would have to shrink, perhaps through more stringent controls or through a forced reduction in purchased inputs. Depressed prices might discourage investment by farmers in seeds, plant foods, machinery, and other production items.

This year, about 60 million acres are being idled under the programs. These are acres that could better be used to produce for a market.

Certainly there is hope that, over time, some of this acreage might be returned to production. Soybean acreage, for example, has expanded enormously, and yet demand has grown just as fast or even faster. As recently as 1957, 22 million acres were planted in soybeans. By 1965, this had grown to 35 million acres, and in 1972 soybean planted acreage was 46.5 million acres.

Acre yields in most commodities will continue to rise. With further breakthroughs in high-yield varieties and other production-stimulating techniques, there will be a growing need to expand markets overseas if U.S. agriculture is to enlarge rather than shrink.

FINALLY, EXPANDING markets are necessary if agriculture is to progress as a growth industry. Agriculture employs people, earns profits, and attracts investment. In 1972-73, agricultural trade will result in a positive trade balance estimated at $3.5 billion—a tremendous contribution at a time when nonfarm trade is running a deficit.

The infrastructure is sufficient to support substantial further growth in agriculture. The United States has the markets, the transportation system, the technology, the fertilizer, the animal breeds, the plant varieties. Even more important, it has the people—educated, well-trained, highly motivated farm people, dedicated and eager to produce.

The degree to which this investment is put to work will determine whether U.S. agriculture ends up expanding or contracting. Much is therefore riding on what happens to U.S. efforts in the years ahead—to achieve a continued growth in markets around the world.

"With the continuation of export growth, more and more of the 60 million acres now idled under Government programs can be brought into production."

Modernization Of Japanese Food Marketing Seen Helping U.S. Food Exports

By JOSEPH R. BARSE
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OPPORTUNITIES FOR American food business and products to succeed in Japan are unparalled, according to a 1-year study of Japanese food marketing just completed for the U.S. Department of Agriculture. Japan's marketing system is so complex, however, that the U.S. exporter must give careful attention to market evaluation, testing, and promotion.

The study, by the Boston Consulting Group of Japan, credits the opportunities not only to rising consumer incomes and new food preferences, but also to openings in the food marketing structure. For example, the restaurant business is booming; frozen food output has been growing at 40 percent a year; supermarket sales may triple the 1970 level by 1975; and complex distribution channels are being penetrated by motivating wholesalers.

But modernization in food marketing does not necessarily mean Americanization. The role of supermarkets may always be more limited in Japan than in America; small Japanese stores still have a very strong economic position.

Japan's food distribution is adapting to a rapidly growing economy and major changes in food consumption. Despite the 1971 growth slowdown to about a 6-percent annual increase in real GNP, recent forecasts suggest that growth for the remainder of the 1970's will be at least 8 percent annually in real terms.

The impact on food sales will be strong. In 1970, food sales at all retail outlets reached about $20 billion. In addition, food sales, valued at wholesale, to restaurants, schools, hospitals, and other "institutions" were probably another $5 billion. By 1976, those sales together could exceed $49 billion (current dollars), at the mid-1972 exchange rate.

Part of the rapid future increase in food expenditures will be siphoned off by price increases, but part will also go toward purchasing a more expensive mixture of foods and part toward a greater quantity per person. Japan, unlike the United States, Canada, and some European nations, still seems to be well below its potential peak in total food consumption per person. Thus, net additions to the diet can occur and not necessarily at the expense of established foods.

Japanese average daily food consumption per person has been rising steadily from 2,200 calories in 1955 to 2,300 in 1960, 2,400 in 1964, and 2,500 in 1970. Japan's Ministry of Agriculture forecasts 2,600-2,700 calories by 1977.

Whether daily per capita food consumption will catch up with that in the United States—where it has totaled about 3,200 calories since the 1950's—is a tough question. Japanese food needs per person are about 250 calories per day less than for the average American, according to the Food and Agriculture Organization of the United Nations. This is mainly because Japanese average body weight and height are smaller, although this average is rising.

In any case, economic demand for food tends to exceed nutritional needs when incomes are high. Even if Japan's per capita food consumption remains less than ours, it still could rise to about 3,000 calories a day by the mid-1980's, a 500-calorie increase over 1970.

Although the populace eats overwhelmingly in Japanese style with Japanese foods, there is great opportunity to introduce imported foods—or foods made from imported agricultural products—into Japanese-style meals. However, the taste and appearance of the food must conform to Japanese preferences. And, the housewife who buys it must be able to buy it in small quantities to fit her purchasing habits and limited storage space.

A study of housewives' shopping habits showed that these shoppers in city areas made at least one trip per day to their neighborhood food stores, usually on foot. The average daily purchase was about $2.50 (late 1960's). From 70 to 80 percent of the urban food purchases at retail stores were made within a radius of ⅝ of a mile from the home. In the densely populated urban areas, and even in many crowded suburbs, this shopping pattern will continue to predominate.

BOTH STRUCTURE OF RETAILING and urban crowding explain why. Not counting the institutional eating places, there are four major kinds of retail food outlets in Japan.

First, by share of food sales, are the "traditional" stores, family-owned and specialized by type of food sold. In 1970, almost all were small stores, typically with about 270 square feet of floor space and about one to four employees each, counting family labor. Collectively, they held about 75 percent of retail food sales that year. There were almost 645,000 such stores.

In second place were the food sections in about 3,000 supermarkets, with about 10 percent of national food sales. These were self-service stores larger than 4,400 square feet, with more than 20 employees each. But much of the space was not for food. In Japan, supermarket chains concentrate much more on general merchandise than on food.

In third place were general grocery and small self-service stores, intermediate in size between supermarkets and traditional stores. This third group of 60,000 stores accounted for about 9 percent of 1970 sales. Of the 60,000, however, only 5,000 were considered self-service stores.

Last were the food sections of 500 large, general department stores, with about 6 percent of retail food sales. However, these department stores were major outlets for imported, Western-style foods and for prestige food items prepared in Japan.

The share of supermarkets in retail food sales and the total value of their sales are both growing rapidly—but less rapidly than previously forecast because of several problems. One Japa-

nese forecast in 1969 placed supermarkets' sales share at 24 percent of the retail food market by 1975. But, because this retail market is growing so fast, supermarket sales would have to about quadruple over 5 years to reach that 24-percent share.

A later forecast predicts that the value of supermarket sales will "only" triple in 1970-75, giving supermarkets approximately 15 percent of the retail food market by the mid-1970's. Major Japanese supermarket chains have themselves acknowledged that they had previously set their sales sights too high. The strength of the competition supermarkets face from small, traditional stores is one of the problems which help to explain the downward revision in supermarket growth forecasts.

The small, traditional stores continue to be in a very strong economic position in Japan. So far, small retailers are not being driven into the labor market and forced to close their stores, as in some other countries. For family-owned stores, land valuations and taxes are held low, there is little or no long-term debt, and family as well as hired-help wages are deductible from income as business expenses. Wage rates for hired employees tend to be lower than in supermarkets.

One or two members of a store proprietor's family are likely to add to household income with an outside job. Income per person in these small-store families is only slightly below the average income per person in families composed entirely of salaried workers.

Furthermore, numerous small food stores with complementary food specialties in one neighborhood give the Japanese housewife essentially the same "one-stop" shopping convenience of supermarkets. And, there are no traffic problems for her, since she is likely to be on foot.

As for food prices, the supermarkets' advantage is marginal at best. For comparable products, they do sell at lower prices than traditional stores—from 5 to 9 percent lower on the average, according to two surveys. Still, traditional stores maintain prices fully competitive with those of supermarkets on some items. Or, even when some small store prices are higher, one or two in an area will match supermarket prices.

As expected, traditional stores emphasize many methods of nonprice competition, such as delivery, in-store

Left, Japanese consumers sample U.S. poultry meat, a popular item in Japan, at the Gusetau Store, Tokyo. Below, a large, modern Japanese supermarket.

Supermarket promotions, like this one of U.S. turkey rolls, have helped establish U.S. foods in Japan.

services, and higher product quality in order to counter supermarket pricing. True, the food product assortment in a large supermarket is somewhat—but not very much—broader than the assortment in a neighborhood cluster of small stores. Supermarkets tend to have an edge in frozen foods because of freezer space requirements, but many of the other new products found in supermarkets are also handled by some small stores, whose proprietors are quite alert to possible changing preferences among their clientele.

APART FROM THE STRONG competition of traditional stores, supermarkets are experiencing internal problems which tend to hold back their sales turnover and reduce the rate of return on assets.

High land costs (increasing an average of 14-fold since 1957), as well as the relatively low rate of car ownership and the already great crowding of urban and suburban roads, are retarding the development of new supermarkets and shopping centers and the sales growth of some of the less-well-located stores. Because supermarkets tend to hire mature, full-time employees, instead of part-time workers, their wage costs are higher than in traditional stores. Interest on long-term borrowings is considerable. Potential economies of scale have not yet been totally achieved through fully exploiting volume buying and labor-saving techniques.

By contrast, small stores characteristically enjoy a very high sales turnover on a relatively small sales space.

For all these reasons, supermarkets to date have not been able to benefit completely from their main potential advantage—decisively lower prices than in traditional stores.

The changes immediately ahead in Japanese food retailing still seem evolutionary, not revolutionary. By the late 1970's, the number of traditional stores probably will not have decreased much and will still account for most retail food sales—perhaps 65 to 70 percent, not much below their 75 percent in 1970. Supermarkets may capture much of the growth in food sales, but traditional stores may experience some absolute growth even though their share declines.

For the American suppliers of food products, the implications of the Japanese food retailing situation seem to be: Supermarkets are the fastest growth sector, but mass distribution of food in Japan can only come by also selling through the traditional, specialty food stores. Yet, the wholesale channels leading to these stores—all 645,000 of them—are very complex.

In 1968, there were 126,000 food processors in Japan, some of the large ones selling direct to large retailers but most selling to retail through the 37,000 processed-food wholesalers. In addition, there were 26,000 wholesalers of fresh foods. Typically, the processors and wholesalers alike are small, more than 70 percent of each having fewer than 10 employees, and highly specialized. In contrast to retailing, though, food wholesaling is becoming more concentrated and is already less fragmented than retailing. Of all employees in wholesaling, the 20 percent in the largest firms accounted for 40 percent of wholesale food sales, while the 20 percent of employees from the largest retailers made only 28 percent of retail food sales. Between 1966 and 1968, 5,000 food wholesalers went out of business, almost all of them poorly financed firms with four or fewer employees who could not compete with other wholesalers in giving rebates or extending credit.

At the same time, the rapid growth of supermarkets gave an advantage to the largest wholesalers, who could offer wide product lines, the best volume discounts, and progressive rebates to the supermarkets. Because larger wholesalers have been able to realize economies of scale, their position in wholesaling is stronger than the comparable position of large retailers. Nevertheless, some small wholesalers have achieved good market positions by assembling small orders for small food retailers.

In a field survey, supermarkets and traditional stores were asked to tell the main reason for selecting the food wholesalers with whom they dealt. Both kinds of stores obtained about 85 percent of food supplies from wholesalers. Among traditional stores, 42 percent gave greatest weight to financial reasons—long-standing credit availability or easy payment terms—36 percent of the supermarkets stressed these reasons.

Some other main reasons for wholesaler selection were also cited about as often by supermarkets as by small stores. These reasons included wide selection of products and good service, including frequent delivery and visits. However, "wholesaler offers low prices" was cited by 23 percent of the supermarkets, compared with only 10 percent of the traditional stores.

The survey suggests that firm-by-firm competition among wholesalers for retailer business is carried out mainly by nonprice competition, even when approaching supermarkets.

The significance of the finding is that, in the Japanese way of doing business, there is a relatively set pattern of firm-to-firm and person-to-person relationships between wholesale and retail. Thus, if the food processor wants to reach into a certain set of retail stores, unless he can go direct—not typically to small stores—he will need to identify the specific network of wholesalers leading to his target set of retailers.

The nonprice business relationships in this network may often be a more important determinant of the processor's success in moving his product than the product itself, or the price at which this processor offers it to some wholesaler. He may not even have the "right" wholesaler.

REGARDING FOOD SELECTION, the field survey revealed that retailers in general—rather than wholesalers or processors—play the key role in selecting products for their stores. Although both kinds of stores acknowledged that wholesalers influenced their selection of a few products, the supermarkets were more likely to respond to wholesaler initiatives than traditional stores.

All retailers were clearly market-oriented, with 87 percent of supermarkets and 80 percent of traditional stores replying that well-known brands, orders from customers, good quality, and high product turnover were the main factors leading them to select any food product. But traditional food stores, perhaps because each individually was more specialized than supermarkets, seemed to be much more confident than supermarkets of their own ability to pick the right products.

Products which the wholesaler had the best chance to place in retail stores by taking the initiative (even though, on the average, the chance was not very good) were frozen foods, dairy products, vegetable oil, ham, sausage, canned goods, unknown brands, and new food items. Wholesalers' chances to initiate sales to retailers of fresh foods, famous

brands, and alcoholic beverages were very poor.

Processors who wished to distribute directly to retail had their best chances to influence supermarket product selection for frozen foods, canned goods, dairy products, catsup, and vegetable oils.

Many of the processed food products with high annual rates of growth in consumption are among those most successfully promoted by the wholesalers. Instant products (such as coffee, cream, soup), powdered milk, cheese, and mayonnaise showed growth rates of 20 percent or more between 1960 and 1968. Other products with growth rates between 7 and 20 percent were ham, sausage, butter, catsup, and margarine. For some of these, supermarkets accounted for a majority of national sales in 1969: Mayonnaise, 69 percent in supermarkets; ham and sausage, 60 percent; instant coffee, 70 percent. Wholesalers may well have played exceptionally important roles in this.

To try to achieve a takeoff in sales growth of a product new to the Japanese food market, the Boston Consulting Group recommends a general approach, even though this outline could not fit every situation. A food marketing strategy for Japan would have to place heavy emphasis on a motivation or incentive package for key wholesalers. Because of the fragmentation of the Japanese food marketing system, products have to be "pushed" through the distribution network, just as much as "pulled" through by motivating consumers.

Evaluating the potential for product success with consumers can often be done in the Japanese institutional market, where channels are less complex and actual distribution less costly. Later, after a successful institutional market test, distribution and product availability must be assured through wholesale and retail before undertaking sustained promotion aimed at consumers. To do this, a much larger proportion of promotion budgets than in the United States may need to be allocated to the wholesaler motivational package.

Before moving products into the Japanese market, U.S. food suppliers are urged to evaluate carefully the complexities of Japan's food marketing situation. Realistic and detailed tactics for market penetration can yield highly favorable results.

Venezuelan sorghum production is supplemented by growing U.S. exports, as demand for livestock feed rises.

Venezuela—A Changing U.S. Market

Venezuela, the leading cash purchaser of U.S. farm products in Latin America, is importing larger quantities of fewer agricultural products these days, due to a vigorous policy of import substitution.

Recent termination of the bulk of the U.S.-Venezuela Reciprocal Trade Agreement—which included the revocation of Venezuela's tariff concessions to the United States—is not expected to have significant effects on agricultural trade. However, the impact on U.S. sales of Venezuela's possible entry into the Andean Pact is as yet uncertain.

During the first 6 months of 1972, the value of U.S. agricultural products exported to Venezuela rose to $64.4 million, topping 1971's record $60.9 million for the same period. Imports of bulk commodities, such as wheat and sorghum, reached new highs, while most consumer goods declined. The future market is expected to remain strong, but concentrate on even fewer commodity items, such as wheat and feedgrains, which Venezuela cannot produce economically.

Changing Government policies to bolster domestic production and strengthen regional trade ties will probably affect the composition of U.S. sales to Venezuela. Some of the more important factors involved are:

- The current expansive phase of Venezuela's economic growth remains favorable to U.S. agricultural exporters. The economy has recovered from a temporary slowdown in 1969 and indications are that current growth will continue. The rising per capita GNP at $973 in 1971 is the highest in South America. Bigger consumer spending is increasing demand for imported foods.

- Negotiations are now in progress between Venezuela and the five members of the Andean Subregional Accord, a subgroup of the Latin American Free Trade Area (LAFTA). The decision to enter, due early next year, would involve preferential tariff arrangements with Colombia, Peru, Ecuador, Bolivia, and Chile. Membership could stimulate imports of fruits and vegetables from Chile and sorghum from Colombia, where production has been expanding recently.

- In June 1972, Venezuela and the United States exchanged notes to regularize the situation following Venezuela's notice of termination on December 30, 1971, of the tariff concessions granted under the Reciprocal Trade Agreement. Most of the tariff concessions that had been granted under the bilateral trade agreement had been nullified by quantitative restrictions. Venezuela may now increase preferential treatment of its LAFTA trading partners, as well as Andean Pact countries.

- During the last year, the Venezuelan Government has pursued an active policy of improving both political and economic ties in the Carribean area. As part of this effort, Venezuela has joined the Carribean Development Bank, contributing $2 million to its capital resources. Early emphasis is on technical and financial cooperation in such areas as agriculture, irrigation, and conservation.

- In an effort to expand domestic production and to replace imports, the Venezuelan Government has clarified agricultural policies and provided more adequate financial resources for agriculture. Under the Government's Na-

tional Plan, heavy investments in agriculture and other areas are expected.

For example, the Agricultural Development Bank has negotiated a World Bank loan for about $50 million for developing the cattle industry and has obtained lines of credit with commercial U.S. banks for $20 million.

A BANK LAW is requiring commercial banks to assign 12 percent of their loans to agriculture. Livestock is seen as an attractive field for such financing.

A significant policy change occurred with the actual beginning of the Agricultural Marketing Corporation this year. This group will control marketing activities in the whole agricultural sector—production, imports, and exports.

Until 1972, the U.S. share of Venezuela's agricultural trade has fluctuated, but generally risen. Exports of bulk commodities, which reached an alltime high of $98.7 million in 1971, accounted for 91 percent of the value of all U.S. farm products shipped to Venezuela. Outstanding gains were made in wheat, sorghum, soybeans, vegetable oils, corn, tallow, beverage bases and syrups, seeds, animal feeding products, and cotton.

The important wheat market, which declined in 1969 because of terminated import subsidies on feedwheat, climbed near earlier levels, although foodwheat continued to increase in this period. In the first 6 months of 1972, U.S. wheat sales to Venezuela rose to a value of $24.8 million, an increase of 21 percent over the same period last year. After dropping by $3 million during 1970, U.S. wheat exports recovered to reach $37 million in 1971.

Sorghum exports from the United States to Venezuela swelled to a new volume of $9.9 million for the first half of 1972, up 14 percent from last year, and are expected to continue climbing as demand for livestock feed increases.

Shipments of livestock and related products to Venezuela, representing only 1 percent of 1971's total export sales, are beginning to recover to previous levels. Sales of breeding cattle are increasing slowly, after tumbling from a high of $4 million in 1965 to $1.3 million in 1971. Current credit negotiations are furnishing the industry with needed impetus and increasing U.S. breeding stock sales. Trade restrictions on breeding cattle are negligible or moderate, and, historically, Venezuela has provided an excellent market for U.S. breeding stock.

The wide array of consumer-ready items exported to Venezuela recorded sales losses in 1971 in almost every major category, with the exception of nuts. These products represented about 8 percent of total export values. Consumer-item exports fell from $10.4 million in 1970 to $8.6 million in 1971, reflecting a significant downward trend, since the 1965-69 average was $12.7 million.

Substantial declines were evident in the demand for a number of fresh and processed foods. For example, exports of meat products fell from an average of $1.2 million in 1965-69 to $494,000 in 1971. Total dairy products dropped from $1.05 million to $368,000 and total fruit and vegetable juice diminished from slightly more than $1 million to $803,000. Similar losses were noted in preserved fruit and fresh vegetable exports.

THE VALUE OF dried fruits exported was substantially the same as the 1965-69 average—$1.3 million, as compared to $1.4 million in 1971. Poultry and products and cheese showed little change.

A few products imported in negligible quantities during 1965-69 gained in importance in 1971. Included were whole turkeys, condensed pear juice, and frozen concentrated fruit juice.

The food business in Venezuela is expanding rapidly. During the 1960's per capita food consumption rose 7 percent. Rising incomes have improved both the quality and quantity of food consumption—which reached USDA minimum standard levels in 1970.

Venezuela's population totaled 11 million in 1970 and is increasing at 3.5 percent per year. Consumers are eating more, and diets are shifting toward more meat, fats and oils, dairy products, fruits and vegetables, and wheat products. Bread and pasta are replacing rice to some extent.

In spite of increasing losses in the export value of consumer-ready products, Venezuela should continue to provide an important outlet for selected U.S. agricultural products. Venezuela's agricultural trade policy aims at striking a balance between exports and imports. Like many Latin American countries, Venezuela has adopted a policy of import substitution, concentrating on commodities which it can produce economically.

Venezuela is a member of LAFTA and participates as an observer in the Andean group, but is not a GATT member. Most-favored-nation bilateral agreements cover trade with such countries as Belgium, Canada, Italy, the Netherlands, Spain, and the United Kingdom.

Nontariff restrictions. Licenses are required for most agricultural imports not covered by tariffs, although some—such as breeding cattle—are exempt.

Venezuela groups nontariff agricultural products into three categories:

- Formerly-imported products which are or will be replaced by domestic goods. Imports of these products are or will be severely restricted through licensing, high duties, or both. Included are potatoes, sesame seed, eggs, chickens, and fresh grapes.
- Surplus domestic commodities needing export markets. These are regulated by trade embargoes or restrictive licensing and consist of rice, sugar, coffee, cocoa, watermelon, plantains, pineapple, and other tropical fruits.
- Commodities which are not commercially produced in Venezuela. Licenses are freely issued for these items, which include wheat, fresh apples and pears, processed foods—particularly fruits and vegetables, both retail and institutional pack—soybeans, and cottonseed oil.

Venezuela also protects domestic production by means of a contingency system which ties imports to a target price or purchase of specified quantities of a domestic product. Some affected products are powdered milk and grapes.

IMPORTS OF MOST fruits and vegetables are under quota restrictions. However, importers can increase their quotas by exporting local fruits. Citrus, black beans, and corn are state traded.

Tariff restrictions. High tariffs have been imposed by Venezuela on most agricultural products. They are virtually prohibitive for some processed foods. For example, tobacco is subject to a tariff of $10.08 per pound and cotton is nearly 21 cents per pound.

Tariffs are negligible or moderate for such products as breeding stock, fresh meats (except poultry), wheat, oats, and black beans.

Finally, a customs surcharge of from 2-3.5 percent is levied on all imports.

CROPS AND MARKETS

China Said To Be Buying More Agricultural Products

Several reports indicate that the People's Republic of China is increasing its imports of agricultural commodities this year, the Department of Agriculture has announced. China's grain harvest apparently has been adversely affected by poor weather conditions in the Asian region and further purchases of grain for delivery in calendar year 1973 seem likely.

Traders reportedly have been in Peking this fall discussing sales of grain beyond the 5 million metric tons of wheat and corn purchased since June this year from Australian, Canadian, and American sources.

Possible additional suppliers of wheat are France, Argentina, and the United States. The sale of 300,000 tons of U.S. corn to China announced in early November suggests that additional purchases of coarse grains could also occur.

Reports indicate that China also has been buying some soybean oil, although the volume and origin of the oil remain to be clarified.

A step up in Chinese purchases of cotton on world markets, which began in the 1969-70 season (August-July), appears to be continuing in the current season. China's imports dropped from a peak of about 800,000 bales in 1963-64 to only 357,000 in 1969-70, but they were reported to have exceeded 600,000 bales in 1971-72. Traditional suppliers of cotton to China include Egypt, Pakistan, Sudan, Syria, and Tanzania. So far, new suppliers are Colombia, Iran, Mexico, Morocco, and Turkey. Up to the late 1940's, cotton was a leading U.S. agricultural export to China.

LIVESTOCK AND MEAT PRODUCTS

Brazil's Beef Exports Set Record in 1972

Brazilian beef exports for 1972 reached a record 160,000 metric tons by October 15, and amounts licensed for export before yearend could bring the total even higher. The estimated value of US$200 million could put beef in third place among Brazil's agricultural exports, following coffee and sugar. The rise makes the volume 30 percent greater than 1971 exports, which totaled 123,000 metric tons, product weight. The United States, Brazil's largest single market in 1971, took 29,000 metric tons of cooked beef, valued at $53 million.

Three factors have had a favorable effect on slaughter and exports in 1972:

- Producer prices have climbed steadily since early 1970 when the Government in effect removed price controls by withdrawing from subsidized slaughter operations. Producer prices for fat steers rose 50 percent in calendar 1970. This trend continued in FY 1972 with a 7-percent rise in prices for fat steers on a dressed-weight basis from $24.15 per hundredweight in July 1971 to $25.86 in June 1972.
- Liberalizing its export policy, the Brazilian Government has set an export goal of 300,000 metric tons for 1976 and the two principal exporting States have reduced or removed their value-added taxes. The Government in 1971 devised a system to balance domestic consumption and export goals by tying exports to stocks held for domestic consumption. In 1972, it allowed a ratio of 1.5 tons to be exported for each ton held in stocks in central Brazil and a ratio of 5 to 1 in Rio Grande do Sul.
- Better financing also helped. The September 30, 1971, report of the World Bank stated that disbursements of its $140 million loan to Brazil's livestock development fund (FUNDEPE) had reached $20,953,000. Details of expenditures on pastures, breeding stock, and so forth, have not been disclosed, but this input is having its effect on production.

BRAZIL'S EXPORTS OF CHILLED, FROZEN, AND PROCESSED BEEF

Year	Chilled and frozen beef		Processed beef		Total	
	Quantity	Value	Quantity	Value	Quantity	Value
	Metric tons	*Million U.S. dollars*	*Metric tons*	*Million U.S. dollars*	*Metric tons*	*Million U.S. dollars*
1967	11,577	6.7	6,540	5.7	18,117	12.4
1968	39,246	20.2	14,535	12.6	53,781	32.8
1969	77,564	41.6	15,241	13.1	92,805	54.7
1970	98,310	69.6	16,552	15.8	114,862	85.4
1971	88,741	98.7	34,312	50.9	123,054	149.6

EC Reduces Import Duties For Beef, Calves, and Cattle

The Council of the European Community has decided to reduce the import duty for beef from 20 percent ad valorem to 10 percent ad valorem during the period November 6, 1972, until February 1, 1973. The Council also decided to suspend completely import duties for calves and young cattle, now 4 and 8 percent ad valorem, respectively, during this same period.

This reduction and suspension of duties apparently will be effective regardless of the levels of market prices within the Community during this period.

United Kingdom Suspends Tariff To Bar Diversion of Beef and Veal

Recently the European Community cut its Common Customs Tariff on beef and veal by 50 percent. As a consequence, the United Kingdom has suspended import duties on fresh, chilled, or frozen beef and veal from November 3, 1972, through January 31, 1973.

The suspended duties apply to all beef and veal imports

from all countries except the Commonwealth and the Irish Republic. Prior to the suspension, tariff on boneless beef and veal was 5 percent, 7 cents per hundredweight (112 lb.) on chilled bone-in beef and veal, and 6.5-7 cents on fresh or frozen bone-in beef and veal. Imports from the Commonwealth and Ireland were, and still are, duty free.

The U.K. move is to counter a possible diversion of beef and veal from the United Kingdom to the EC.

The main source of the beef which could be diverted is Argentina, which, between January and August, shipped 39,740 long tons of boneless beef, a total 69 percent greater than that of the same period a year earlier. There has also been a 60-percent increase in imports of boneless Australian beef over the period, rising from 21,252 tons to 33,899 tons.

One reason for the United Kingdom's move to prevent a shift in beef trade patterns is that imports of bone-in beef from the Irish Republic—by far the United Kingdom's largest single source—have fallen off by 21 percent from 62,088 tons to 48,802 tons in the past year. U.K. beef and veal production have also been down slightly.

GRAINS, FEEDS, PULSES, AND SEEDS

U.S. Grain Exports and Transportation Trends: Week Ending November 24

Weekly export inspections of wheat, feedgrains, and soybeans totaled 1.37 million metric tons for the week ending November 24—a 6-percent drop from the week before, and 2 percent below the October weekly average.

Inland transportation was down as continued bad weather hampered Midwest grain harvest and shipments. Railcar loadings of grain totaled 25,888 cars, down 11 percent from the week before. Barge shipments of grain, at 513,000 metric tons, were down by 7 percent.

GRAIN EXPORT AND TRANSPORTATION TRENDS: WEEK ENDING NOVEMBER 24

Item	Week ending Nov. 24	Previous week	Weekly average, October	Weekly average, first quarter
	1,000 metric tons	*1,000 metric tons*	*1,000 metric tons*	*1,000 metric tons*
Weekly inspections for export:				
Wheat	414	542	561	414
Feedgrains	696	605	536	626
Soybeans	262	314	310	133
Total	1,372	1,461	1,407	1,173
Inland transportation:				
Barge shipments of grain	513	550	652	515
	Number	*Number*	*Number*	*Number*
Railcar loadings of grain	25,888	29,038	31,618	28,566

West Germany Uses Less Non-EC Wheat in Flour Production

From 1969-70 to 1971-72, West German use of non-European Community wheat for domestic flour production dropped from 683,000 tons to 397,000 tons or 42 percent. In the same period domestic flour consumption has remained stable at about 2,950,000 tons. Thus, the non-EC share of German milling for domestic use fell from 23 percent in 1969-70 to 14 percent in 1971-72. This drop in consumption of third country wheat is due to increased production of quality wheats, both domestic and elsewhere in the EC.

Germany also exports flour to third countries. The share of third countries in this sector of the German market has gone from 16 percent to 7 percent between 1969-70 and 1971-72.

Rotterdam Grain Prices and Levies

Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	Dec. 6	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 1 CWRS-14	2.94	+15	2.01
USSR SKS-14	[1]	[1]	1.89
Australian FAQ [2]	[1]	[1]	1.66
U.S. No. 2 Dark Northern Spring:			
14 percent	2.71	+19	1.91
15 percent	2.74	+20	[1]
U.S. No. 2 Hard Winter:			
13.5 percent	2.78	+30	1.80
No. 3 Hard Amber Durum	2.76	+17	1.81
Argentine	[1]	[1]	[1]
U.S. No. 2 Soft Red Winter	[1]	[1]	[1]
Feedgrains:			
U.S. No. 3 Yellow corn	1.81	+8	1.42
Argentine Plate corn	2.21	+5	1.51
U.S. No. 2 sorghum	1.91	+11	1.45
Argentine-Granifero sorghum	1.92	+10	1.44
U.S. No. 3 Feed barley	1.68	+9	1.26
Soybeans:			
U.S. No. 2 Yellow	4.11	+6	3.42
EC import levies:			
Wheat [3]	[4] 1.13	−18	1.57
Corn [5]	[4] .89	−17	1.03
Sorghum [5]	[4] .77	−18	1.00

[1] Not quoted. [2] Basis c.i.f. Tilbury, England. [3] Durum has a separate levy. [4] Effective October 14, 1971, validity of licenses with levies fixed in advance is a maximum of 30 days. [5] Italian levies are 21 cents a bu. lower than those of other EC countries. Note: Basis 30- to 60-day delivery.

USSR Grain Outlook for 1973-74

Preliminary reports on USSR winter grains indicate less than a full recovery in grain production in 1973. The summer drought that cut the 1972 grain crop in European USSR also delayed the sowing of winter grains by about 3 weeks. As a result of the postponement, total sown winter grain area is significantly below average though it is somewhat above the 1972 weather-reduced level.

By October 25—the last date of official reporting—only 64 million acres of the 84 million planned had been sown to winter grains. Based upon seeding progress in October 1972 and the normal onset of winter weather, about 17 million acres, or a fifth of the area planned, probably was not seeded to winter grains. Also, about half of the winter grains which were seeded were sown about a month later than in recent years.

Failure to complete the fall grain sowing plan is expected to have more of an impact on the composition of the 1973 Soviet grain harvest than on its size. In the regions where

low soil moisture interfered with fall seeding, the area normally sown to winter grains is about equally divided between wheat and rye. Thus, it seems likely that roughly half of the 17 million acres which were not seeded was to have been sown with winter wheat and the other half with winter rye. This would mean that about one-sixth of planned winter wheat area of 55 million acres was not seeded and that the winter rye area may be roughly a third less than the planned 25 million acres.

It is also probable that the unseeded 17-million-acre winter grain area will be sown to barley next spring since barley was used extensively this past spring in reseeding winterkilled areas. This would result in a 1973 barley area and, given average yields, a barley harvest almost a third larger than normal.

The seeding problems experienced this fall could result in additional difficulties. According to Soviet press accounts, winter grains in the Ukraine, Moldavia, and the western part of the north Caucasus are in good condition, as soil moisture has improved in these areas. But, the delay by a month in seeding half of the winter grains may mean that under severe winter weather conditions these grains will be more vulnerable to damage than if seeded earlier. Also the work load next spring will be heavier than normal because farmers will have to seed areas that should have been seeded in the fall. Finally, spring grains which develop several weeks later are somewhat more vulnerable to summer drought than are winter grains.

Assuming a normal level of winterkill, harvested winter grain areas in 1973 would only be slightly higher than in 1972. Therefore, spring grain acreage, especially feedgrain area, will need to be unusually large for the second year in a row. If average grain yields are obtained next year, total grain production will be well above 1972 but would probably still be several million tons below estimated requirements for domestic consumption.

Numerous uncertainties such as the degree of winter damage, spring sowing conditions, weather throughout the growing season, and harvesting conditions could drastically alter the USSR grain situation by next autumn. However, it now appears that even with average weather the USSR will have a sizable grain deficit in 1973.

COTTON

Overseas Cotton Buyers Examine U.S. Operations on Six-State Tour

Executives of 20 East and West European and North African textile companies and buying groups visited 10 cities in six States during a 2-week tour of U.S. cotton areas and facilities. The trip, in late October and early November was sponsored by the National Cotton Council of America, Cotton Council International, and USDA's Foreign Agricultural Service.

Representing 13 countries, the overseas visitors observed seed breeding, harvesting, ginning, compressing, and merchandising operations in Tennessee, South Carolina, Texas, New Mexico, Arizona, and California. They were briefed on a wide range of topics during their tour. These included prospects for U.S. cotton exports this year, particularly in Europe and North Africa.

FATS, OILS, AND OILSEEDS

West Malaysian Palm Oil Production and Exports

West Malaysian palm oil production during the year ending September 30, 1972, totaled 621,000 metric tons compared with 507,300 tons in 1970-71. The increase reflected a 24-percent increase in bearing tree acreage while yields dropped below trend due to below average rainfall.

Exports during 1971-72 totaled 591,200 tons or 17 percent above the 503,900 tons exported in 1970-71. Although domestic consumption of palm oil in West Malaysia is increasing, exports continue to account for more than 95 percent of total output.

In 1972-73, West Malaysia's palm oil production is expected to expand by about one-fourth or roughly 150,000 tons above the 1971-72 volume. The increase will reflect a 20 percent expansion in bearing tree acreage together with somewhat higher yields due to some improvement in rainfall.

Japan's Imports of Oilseeds And Meals Increase

Japan's imports of oilseeds and meals during 1971-72 (October-September) rose by 10 percent to 3.64 million metric tons (soybean meal equivalent), following a 3-percent decline in 1970-71. This renewed growth reflected reduced mixed feed prices for livestock and poultry.

Imports of soybeans and meal from the United States—almost entirely as beans, were 2.51 million tons (meal basis), up by 7.5 percent or 175,000 metric tons. The aggregate volume from the United States in 1971-72 was equivalent to the protein content of 116 million bushels of soybeans—8 million more than in 1970-71.

Prospects for imports of soybeans into Japan in 1972-73 are bright. Japanese mixed feed production is expected to continue its moderate expansion because of growing livestock and poultry products output. But beyond this, the proportion of soybean meal in mixed feeds is expected to rise, owing to reduced availabilities of fishmeal.

JAPAN'S IMPORTS OF OILSEEDS AND MEALS [1]
[In thousands of metric tons]

Month	1970 [2]		1971 [2]		1972 [2]	
	From United States [3]	Total	From United States [3]	Total	From United States [3]	Total
October	124	232	226	328	249	351
November	178	239	208	287	193	296
December	211	282	214	336	237	345
January	218	298	208	287	200	296
February	214	304	215	289	214	325
March	168	277	216	292	196	285
April	168	287	191	262	268	373
May	211	327	149	202	189	282
June	210	293	181	254	169	249
July	190	290	175	239	182	248
August	173	266	167	258	221	315
September	219	322	185	275	192	272
Total	2,284	3,417	2,335	3,309	2,510	3,637

[1] Soybean meal equivalent basis. [2] Year ending Sept. 30. [3] Soybeans and meal from the United States, expressed on a soybean meal basis.

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FOREIGN AGRICULTURE

Argentina's Edible Oil Exports To Drop (Continued from page 4)

taxes, and lack of compensatory devaluations of the Argentine peso. This effective restricting of export sales was apparently a deliberate policy on the part of the Government to maintain pressure on rising consumer prices.

There have even been occasional reports that the Government might authorize imports to keep a lid on price increases, and it has been argued that if relatively cheaper soybean oil imports were authorized to free relatively more expensive peanut oil for export, there would be a positive effect on the country's balance of payments.

In early August, the Government yielded to pressures from crushers in the Province of Córdoba and reduced the export retention tax on peanut oil from 38 percent to 10 percent. This has apparently permitted Argentine oil to once again be competitive in world markets. Press reports cite a possible exportable surplus of 30,000 to 40,000 tons, but the Ministry of Commerce is to monitor all sales and can halt them if they result in undue upward pressures on consumer price levels. Sunflowerseed oil exports still remain effectively blocked by the 37-percent export retention tax.

Unless seed production were substantially larger than the latest official estimate, it seems unlikely that exports of sunflowerseed oil will be permitted this season. The reason for permitting peanut oil exports rather than sunflowerseed oil is that the local market prefers the latter while the international market pays a premium for peanut oil.

This latter oil finds its way into local consumption only when there are shortages of sunflowerseed oil. Also, peanut oil is not "winterized" and therefore not marketable locally in the winter months of July and August. The only way, then, to keep the crushing plants operating is to permit exports.

This potential decline in Argentine edible oil exports for the second year running could have some impact on world market conditions because of Argentina's role as a major edible oil supplier. In 1970 Argentina was the world's third-ranking exporter of both sunflowerseed and peanut oils and captured 16 percent of all sunflowerseed oil exports and 9 percent of all peanut movements. This position slipped in 1971 when the total volume of Argentine edible oil exports dropped by 41 percent. For the current year, the drop will probably be even greater as sunflowerseed oil exports are unlikely and peanut oil shipments probably will not match those made in the past several years.

Another effect of the reduction in Argentina's oilseed crush over the past 2 years has been lower exports of oilseed cakes and meals. Including linseed cake and meals, Argentina in 1970 exported 896,100 tons. This total dropped by 10 percent to 805,600 tons in 1971, and with crushing of flaxseed also reduced owing to sharply lower production, the volume could slip as much as 30 percent this year.

ARGENTINA: OILSEED AREA AND PRODUCTION [1]

Item	Average 1964-66	Average 1967-69	1970	1971	1972
Area:	*1,000 acres*	*1,000 acres*	*1,000 acres*	*1,000 acres*	*1,000 acres*
Sunflowerseed	2,657.8	3,220.9	3,638.0	3,988.9	3,787.3
Peanuts	907.1	727.5	531.5	775.9	792.9
Cottonseed	1,404.0	908.3	1,145.5	959.2	1,085.7
Soybeans	39.3	59.3	75.4	93.1	197.2
Total [2]	5,008.2	4,961.0	5,390.5	5,817.2	5,863.2
Production:	*1,000 metric tons*	*1,000 metric tons*	*1,000 metric tons*	*1,000 metric tons*	*1,000 metric tons*
Sunflowerseed	666.3	978.7	1,140.0	830.0	828.0
Peanuts	394.4	284.6	234.5	387.6	252.0
Cottonseed	225.9	171.6	271.6	166.8	178.0
Soybeans	16.3	24.8	26.8	59.0	78.0
Total	1,302.9	1,459.7	1,672.9	1,443.4	1,336.0

[1] Year shown is when harvest occurred; all crops were largely sown in previous calendar year. [2] May not add to total because of rounding. Ministry of Agriculture and Livestock.

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